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ARIZONA CORPORATION COMMISSION

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December 13, 2002

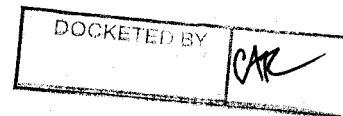
AZ CORP COMMISSION
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Chairman William Mundell
Commissioner Jim Irvin
Arizona Corporation Commission
1200 W. Washington
Phoenix, Arizona 85007

Arizona Corporation Commission
DOCKETED

DEC 17 2002

Re: Arizona Public Service Company
Financing Application
Docket Number E-01345A-02-0707



Dear Colleagues:

I have reviewed Utilities Director Johnson's December 13, 2002 Memorandum and the attached "Principles for Resolution". I commend Mr. Johnson for undertaking this matter and for notifying the Commissioners and parties of this development.

The Commission will ultimately deliberate on any potential agreement between Staff and Arizona Public Service. However, I believe lengthy, unresolved litigation and attendant uncertainty have the potential to harm Arizona consumers. Energy [and telecommunications] prices and service are issues of great complexity, rife with the danger of "unintended consequences". I believe settlement discussions, under appropriate circumstances and with procedural safeguards, can result in a consensual resolution of difficult issues that protects consumers and companies from unintended consequences.

I therefore appreciate Mr. Johnson's efforts and I look forward to the consideration of the fruits of those efforts.

Very truly yours,

Marc Spitzer
Commissioner

cc: All parties on record